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No. 1968

KARNATAKA LEGISLATIVE ASSEMBLY

NOTIFICATION

No. 465 L.A. Dated 10th April 1975

The following Bill was introduced in the Legislative Assembly on 8th April, 1975.

THE KARNATAKA AGRICULTURAL INCOME-TAX (AMENDMENT) BILL, 1975.

(L.A. Bill No. 22 of 1975)

A Bill further to amend the Karnataka Agricultural Income-Tax Act, 1957.

Whereas it is expedient further to amend the Karnataka Agricultural Income-Tax Act, 1957 (Karnataka Act No. 22 of 1957) for the purposes hereinafter appearing;

Be it enacted by the Karnataka State Legislature in the Twenty-sixth Year of the Republic of India as follows:—

1. Short title and commencement.—(1) This Act may be called the Karnataka Agricultural Income-Tax (Amendment) Act, 1975.

(2) It shall be deemed to have come into force on the 1st day of April, 1975.

2. Amendment of long title.—In the long title of the Karnataka Agricultural Income-Tax Act, 1957 (hereinafter referred to as the principal Act), the words "from lands on which commercial crops are raised" shall be omitted.

3. Amendment of the preamble.—In the preamble to the principal Act, the words "from lands used for growing commercial crops" shall be omitted.

4. Amendment of section 2.—In sub-section (1) of section 2 of the principal Act,—

(1) in sub-clause (1) of clause (a), for the words "used for growing all or any of the commercial crops", the words "used for agricultural purposes" shall be substituted;

(2) clause (dd) shall be relettered as clause (d2) and before the clause (d2) as so relettered the following clause shall be inserted, namely :—

"(d1) "Assistant Agricultural Income Tax Officer" means a person appointed to be an Assistant Agricultural Income-Tax Officer under section 17;";

(3) clause (e) with the Explanations shall be omitted;

(4) clause (r) shall be omitted;

(5) after clause (v), the following clause shall be inserted, namely :—

"(vl) "special crop" means grapes, sugarcane, mulberry, arecanut, coconut or banana;";

(6) clause (vv) shall be omitted;

(7) in clause (w), for the words, brackets, letters and figures "under clause (e) or clause (g) of section 12", the words, brackets, letters and figures "under section 5A or under clause (g) of section 12" shall be substituted.

5. Amendment of section 5.—Section 5 of the principal Act shall be renumbered as sub-section (1) thereof and in the sub-section (1) as so renumbered,—

(1) in the proviso to clause (i), for the words "seven and half percent" and "twelve per cent", the words "twelve per cent" and "fifteen per cent", shall respectively be substituted;

(2) in clause (n)—

(i) for the words, figures and brackets "Indian Income-Tax Act, 1922 (Central Act XI of 1922)" wherever they occur, the words, figures and brackets "Income-Tax Act, 1961 (Central Act 43 of 1961)" shall be substituted;

(ii) for Explanation (2), the following sub-section shall be substituted, namely :—

"(2) (a) Nothing contained in sub-section (1) shall be deemed to entitle a person deriving agricultural

income, to the deduction of any expenditure laid out or expended for the cultivation, upkeep or maintenance of immature plants (other than tea plants) from which no agricultural income has been derived during the previous year.

(b) Notwithstanding anything contained in clause (a),—

(i) if in any year expenditure is incurred by a person exclusively on new cultivation of land for growing areca, cardamom, coconut, coffee, orange or rubber plants and also on maintenance of immature plants of areca, cardamom, coconut, coffee, orange or rubber, ten per cent of such expenditure may be deducted from the agricultural income of such person;

(ii) if in any year any expenditure is incurred by a person for replanting of cardamom, coffee, orange or rubber plants in any plantation or of areca plants in any areca garden, such expenditure not exceeding the amount necessary for replanting—

(a) two and half per cent of the acreage of plantation held by the person concerned in the case of coffee or rubber plants;

(b) one and two-thirds per cent of the acreage of garden or plantation held by the person concerned in the case of areca or orange plants; and

(c) eight and one-third per cent of the acreage of plantation held by the person concerned in the case of cardamom plants,

may be deducted from the agricultural income of such person:

Provided that if the replanting expenditure allowance under item (ii) is not incurred in one year, the allowance for the year or years may be carried forward for a period of three years in the case of areca, coffee, orange and rubber and one year in the case of cardamom, beyond the year of assessment;

(iii) a person deriving agricultural income from land on which coffee is grown may, notwithstanding anything contained in items (i) and (ii), at his option exercised in writing, deduct from his agricultural income a sum of twelve and a half rupees for every fifty kilograms of coffee produced and delivered by him to the Coffee Board subject to a maximum of fifteen per cent of the average total agricultural income during the previous year and three years immediately preceding it, towards expenditure for new cultivation, replanting and maintenance of immatured plants and if the said expenditure is not incurred in that year the same may be carried forward for a period of five years beyond the year of assessment and any such sum which is spent for purpose other than those specified above or which remains unspent for five years shall be treated as income of the year succeeding the fifth year:

Provided that the option once exercised shall be final and the said expenditure allowance shall be calculated on the same basis for purposes of future assessments".

6. Insertion of new section 5A.—After section 5 of the principal Act, the following section shall be inserted, namely:—

"**5A. Exemption in respect of insurance premia.**—(1) From the total agricultural income of the assessee computed under section 5, there shall be deducted, in accordance with and subject to the provisions of this section, an amount calculated with reference to the aggregate of the sums specified in sub-section (2), at the following rates, namely:—

(*a*) Where such aggregate does not exceed Rs. 4,000.	The whole of such aggregate;
(*b*) Where such aggregate exceeds Rs. 4,000 but does not exceed Rs. 10,000.	Rs. 4,000 *plus* 50 per cent of the amount by which such aggregate exceeds Rs. 4,000.
(*c*) Where such aggregate exceeds Rs. 10,000.	Rs. 7,000 *plus* 40 per cent of the amount by which such aggregate exceeds Rs. 10,000.

(2) The sums referred to in sub-section (1) shall be the following, namely :—

(a) Where the assessee is an individual, any sum paid in the previous year by the assessee out of his agricultural income chargeable to tax, to effect or to keep in force an insurance or a contract for a deferred annuity on the life of the assessee or on the life of the wife or husband of the assessee ;

(b) Where the assessee is a Hindu Undivided Family, any sum paid in the previous year by the assessee out of its agricultural income chargeable to tax, to effect or to keep in force an insurance or a contract for a deferred annuity on the life of any male member of the family or of the wife of such member :

Provided that the amount deducted under this sub-section shall not exceed one sixth of the total agricultural income of the assessee or ten thousand rupees whichever is less.

Provided that the provisions of sub-section (2) shall apply only to so much of any premium or other payments made on a policy other than a contract for a deferred annuity as is not in excess of ten per cent of the actual sum assured.

Explanation.—In calculating any such actual sum, no account shall be taken—

(i) of the value of any premiums agreed to be returned, or

(ii) of any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.

(3) Notwithstanding anything contained in sub-sections (1) and (2), the deduction under this section shall not be allowed unless the claim is supported by proof to the effect that the assessee is not liable to tax under the Income Tax Act, 1961 (Central Act 43 of 1961) or that similar deduction under the provisions of the said Act has not been

claimed or allowed in respect of the sums on account of which the deducetion is claimed".

7. Amendment of sections 8 and 57.—In sections 8 and 57 of the principal Act, for the words, figures and brackets "Indian Income-Tax Act, 1922 (Central Act XI of 1922)" wherever they occur the words, figures and brackets "Income Tax Act, 1961 (Central Act 43 of 1961)" shall be substituted.

8. Amendment of section 12.—In section 12 of the principal Act, clause (e) shall be omitted.

9. Amendment of section 13.—In section 13 of the principal Act, for the existing proviso, the following proviso shall be substituted, namely:—

"Provided that the portion of earned agricultural income exempt from tax under this section shall not exceed two thousand rupees.".

10. Amendment of section 17.—In section 17 of the principal Act,—

(1) in sub-section (1), after clause (c), the following clause shall be inserted, namely:—

"(d) Assistant Agricultural Income-Tax Officers";

(2) after sub-section (2), the following proviso shall be inserted, namely:—

"Provided that the Agricultural Income-Tax Officers and the Assistant Agricultural Income-Tax Officers shall, subject to the directions issued by the State Government, exercise such powers and perform such functions and duties under the Act in respect of such classes of persons or classes of income and in such areas as the Commissioner may, direct.";

(3) after sub-section (2A), the following sub-section shall be inserted, namely:—

"(2B) (a) The Commissioner may, by general or special order in writting, direct that the powers conferred

on the Agricultural Income-Tax Officer by or under this Act, shall, in respect of any specified case or classes of cases or of any specified persons or classes of persons be exercised by the Assistant Agricultural Income-Tax Officer.

(b) Where an order under clause (a) is issued, then for the purpose of any case or person in respect of which any such order applies, reference in this Act or in any rule made thereunder to the Agricultural Income-Tax Officer shall be deemed to be reference to the Assistant Agricultural Income-Tax Officer."

11. Amendment of section 18.—In section 18 of the principal Act,—

(1) after sub-section (2), the following sub-section shall be inserted, namely :—

"(2A) (a) Before any person submits any return under sub-section (1) or sub-section (2), he shall, in the prescribed manner, pay in advance the full amount of tax payable by him on the basis of such return and shall furnish along with the return satisfactory proof of the payment of such tax. After the assessment is made under section 19 the amount of tax so paid shall be deemed to have been paid towards the tax so assessed and excess amount, if any, paid shall be refunded to such person.

(b) If after the assessment under section 19 it is found that the tax paid under clause (a) was less than the tax payable, by more than twenty-five per cent, the Agricultural Income-Tax Officer may direct such person to pay in addition to the tax, by way of penalty, a sum calculated at ten per cent of the amount of tax so paid short :

Provided that in the case of a person whose total agricultural income as determined by the Agricultural Income-Tax Officer is less than ten thousand rupees the penalty imposed shall not exceed fifty rupees." ;

(2) in sub-section (4), at the end, the words "for the purposes of this Act." shall be inserted.

12. Amendment of section 35.—In section 35 of the principal Act, in sub-section (2), for the words "order shall be made" the words "power shall be exercisable" shall be substituted.

13. Amendment of section 41.—In section 41 of the principal Act—

(1) proviso to sub-section (1) shall be omitted;

(2) in sub-section (2)—

(a) for the figures and words "6¼ per cent", the words "twelve per cent" shall be substituted;

(b) the first proviso shall be omitted; and

(c) in the second proviso, the word "further" shall be omitted.

14. Insertion of new section 43A.—After section 43 of the principal Act, the following section shall be inserted, namely :—

"**43A. Recovery of tax from certain other persons.**—The Agricultural Income-Tax Officer may at any time or from time to time, by notice in writing (a copy of which shall be forwarded to the assessee at his last address known to the Agricultural Income-Tax Officer) require any person from whom money is due or may become due to the assessee or any person who holds or may subsequently hold money for or on account of the assessee to pay to the Agricultural Income-Tax Officer, either forthwith or upon the money becoming due or being held at or within the time specified in the notice (not being before the money becomes due or is held) so much of the money as is sufficient to pay the amount due by the assessee in respect of the arrears of tax or any other moneys or the whole of the money when it is equal to or less than that amount.

(2) The Agricultural Income-Tax Officer may at any time or from time to time amend or revoke any such notice or extend the time for making any payment in pursuance of the notice.

(3) Any person making any payment in compliance with a notice under this section shall be deemed to have made the payment under the authority of the assessee and the receipt of the Treasury or of the Agricultural income-tax Officer shall constitute a good and sufficient discharge of the liability of such person to the extent of the amount referred to in the receipt.

(4) Any person discharging any liability to the assessee after receipt of the notice referred to in this section shall be personally liable to the Agricultural Income-Tax Officer to the extent of the liability discharged or to the extent of the liability of the assessee for the amount due under this Act, whichever is less.

(5) Where any person to whom a notice under this section is sent objects to it on the ground that the sum demanded or any part thereof is not due by him to the assessee or that he does not hold any money for or on account of the assessee, then, nothing contained in this section shall be deemed to require such person to pay the sum demanded or any part thereof, to the Agricultural Income-Tax Officer.

(6) Any amount which a person is required to pay to the Agricultural Income-Tax Officer or for which he is personally liable to the Agricultural Income-Tax Officer under this section shall, if it remains unpaid, be a charge on the properties of the said person and may be recovered as if it were an arrear of land revenue.

Explanation.—For the purpose of this section the amount due to an assessee or money held for or on account of an assessee by any person shall be computed after taking into account such claims, if any, as may have fallen due for payment by such assessee to such person and as may be lawfully subsisting.".

15. Substitution of new section for section 53.— For section 53 of the principal Act, the following section shall be substituted, namely:—

"53. **Disclosure of information respecting assessees.**—(1) (a) The Commissioner may furnish or cause to be furnished to—

(i) any officer, authority or body performing any functions under any law relating to the imposition of any tax, duty, cess or fee; or

(ii) such officer, authority or body performing any functions under any other law as the State Government, if in its opinion it is necessary so to do in the public interest, may by notification specify in this behalf,

any such information relating to any assessee in respect of any assessment made under this Act as may, in the opinion of the Commissioner, be necessary for the purpose of enabling such officer, authority or body to perform his or its functions under that law.

(b) Where a person makes an application to the Commissioner for any information relating to any assessee in respect of any assessment made under this Act, the Commissioner may, if he is satisfied that it is in the public interest so to do, furnish or cause to be furnished the information asked for in respect of that assessment only and his decision in this behalf shall be final and shall not be called in question in any court of law.

(2) Notwithstanding anything contained in sub-section (1) or any other law for the time being in force, the State Government may, having regard to the practices and usages, customary or any other relevant factors, by order notified in the official Gazette, direct that no information or document shall be furnished or produced by a public servant in respect of such matters relating to such classes of assessees or except to such authorities as may be specified in the order.".

16. Omission of Chapter VII-A.—Chapter VII-A of the principal Act shall be omitted.

17. Amendment of section 66.—In section 66 of the principal Act,—

(1) in sub-section (1), for the words "commercial crops other than plantation crops, ganja or timber shall be classified into eight classes", the words "crops other than plantation crops shall be classified" shall be substituted;

(2) in sub-section (2), for the words "Eighth Class of land", the letters and words "H Class of land" shall be substituted;

(3) sub-section (3) shall be omitted.

18. Amendment of section 67.—In section 67 of the principal Act,—

(1) for sub-section (1), the following sub-section shall be substituted, namely:—

"(1) Any person who derives agricultural income only from land other than land on which plantation crops are grown may apply to the prescribed officer, for permission to compound agricultural income-tax payable by him and to pay in lieu thereof a lumpsum calculated in the manner indicated in sub-section (2).";

(2) for sub-section (2), the following sub-section shall be substituted, namely:—

"(2) (a) For the purpose of determining the lumpsum payable under sub-section (1), the total extent land of any person shall be determined in terms of H class of land in accordance with the formula in Part II of the Schedule for determining the equivalent extent of land of different classes.

(b) In respect of total extent of H Class land as determined under clause (a) lumpsum payable under sub-section (1) shall be calculated at the following rates namely:—

	Extent of land	*Rate per acre* Rs. P.
1.	On the first 50 acres of H class land	Nil
2.	On the next 50 acres of H class land	1 00
3.	On the next 100 acres of H class land	2 50
4.	On the next 100 acres of H class land	4 00
5.	On the next 100 acres of H class land	5 00
6.	On the next 100 acres of H class land	6 50
7.	On the next 200 acres of H class land	12 00
8.	On the next 300 acres of H class land	15 00
9.	On the next 500 acres of H class land	17 50
10.	On the next 500 acres of H class land	20 00
11.	On the balance of extent of land	30 00"

(3) in sub-section (5), for the words "perennial crops", the words "arecanut, coconut and grapes" shall be substituted and for the words "such crops and", the words, "such classes of land, to such extent and" shall be substituted;

(4) after sub-section (6), the following sub-section shall be inserted, namely:—

"(7)(a) Notwithstanding anything contained in sub-section (1), in such areas as may be notified by the State Government, the Agricultural Income-Tax Officer may, suo motu issue notice in the prescribed form to any person who, in the opinion of such officer, has cultivated during the previous year, land exceeding 100 acres of H class land or an extent equivalent thereto consisting of any one or more of the classes of land specified in Part II of the Schedule and has received agricultural income, calling upon him,—

(i) to pay within the period specified in the notice, the lumpsum amount payable under sub-section (1); or

(ii) to intimate within the period specified in the notice that he elects to be assessed in accordance with the provisions of Chapter IV.

(b) If the person disputes the correctness of the extent of land held by him as mentioned in the notice under clause (a) he may apply to the Agricultural Income-Tax Officer for an amendment or cancellation of the notice and such officer may, after such enquiry as he deems necessary, if satisfied that the notice requires modification, modify or cancel the notice.

(c) On receipt of a notice issued under clause (a), subject to modification, if any, under clause (b), if the person pays the amount specified in the notice within the period specified therein the provisions of sub-section (6) shall apply as if he was granted permission under sub-section (4) for that year.".

19. Substitution of new Schedule for the Schedule.— For the Schedule to the principal Act, the following Schedule shall be substituted, namely :—

SCHEDULE

PART I

(*See* Section 3)

Rates of Agricultural Income-Tax

1	Where the total agricultural income does not exceed Rs. 1,500.	Nil
2.	Where the total agricultural income exceeds Rs. 1,500 but does not exceed Rs. 5,000.	Three per cent of the amount by which the total income exceeds Rs. 1,500.
3.	Where the total agricultural income exceeds Rs. 5,000 but do not exceed Rs. 10,000.	Rs. 105 *plus* six per cent of the amount by which the total income exceeds Rs. 5,000.

4.	Where the total agricultural income exceeds Rs. 10,000 but does not exceed Rs. 15,000.	Rs. 405 *plus* nine per cent of the amount by which the total income exceeds Rs. 10,000.
5	Where the total agricultural income exceeds Rs. 15,000 but does not exceed Rs. 20,000.	Rs. 855 *plus* twelve per cent of the amount by which the total income exceeds Rs. 15,000.
6.	Where the total agricultural income exceeds Rs. 20,000 but does not exceed Rs. 25,000.	Rs. 1,455 *plus* fifteen per cent of the amount by which the total income exceeds Rs. 20,000.
7	Where the total agricultural income exceeds Rs. 25,000 but does not exceed Rs. 35,000.	Rs. 2,205 *plus* twenty seven per-cent of the amount by which the total income exceeds Rs. 25,000.
8.	Where the total agricultural income exceeds Rs. 35,000 but does not exceed Rs. 50,000.	Rs. 4,905 *plus* thirty per cent of the amount by which the total income exceeds Rs. 35,000.
9.	Where the total agricultural income exceeds Rs. 50,000 but does not exceed Rs. 75,000.	Rs. 9,405 *plus* thirty-seven per cent of the amount by which the total income exceeds Rs. Rs. 50,000.
10	Where the total agricultural income exceeds Rs. 75,000 but does not exceed Rs. 1,00,000.	Rs. 18,655 *plus* forty per cent of the amount by which the total income exceeds Rs. 75,000.
11.	Where the total agricultural income exceeds Rs. 1,00,000.	Rs. 28,655 *plus* sixty per cent of the amount by which the total income exceeds Rs. 1,00,000:

Provided that no agricultural income-tax shall be payable—

(i) on the total agricultural income which does not exceed five thousand rupees;

(ii) by a person who derives agricultural income from land not exceeding 100 acres of the H class of land or an extent equivalent thereto consisting of any one or more of the classes of land specified in Part II.

Provided further that the agricultural income-tax shall in no case exceed one half of the amount by which the total agricultural income exceeds five thousand rupees.

PART-II

(See sections 66 and 67)

A. **Classification of lands :—**

Group I—Lands used for growing crops other than special crops.

A Class

Lands having facilities for assured irrigation from such Government canals and Government tanks as are notified by the State Government to be capable of supplying water for growing two crops of paddy in a year.

B Class

(i) Lands having facilities for assured irrigation from such Government canals and Government tanks as are notified by the State Government to be capable of supplying water for growing only one crop of paddy in a year; and

(ii) Lands irrigated by such lift irrigation projects constructed and maintained by the State Government as are notified by the State Government to be capable of supplying water for growing two crops of paddy in a year.

C Class

(i) Lands irrigated from any Government source of irrigation of including lift irrigation projects constructed and maintained by Government, other than those coming under A Class and B Class; and

(ii) Lands having facilities for irrigation from a source where the system of supply of water is suitable for growing only a light irrigated crop, namely, crop other than paddy and sugarcane, shall come under this class.

D Class

Rainfed wet lands.

E Class

Lands classified as dry but not having any irrigation facilities from a Government source and assessed to land revenue exceeding two rupees per acre.

F Class

Lands classified as dry but not having any irrigation facilities from a Government source and assessed to land revenue exceeding one rupee per acre but not exceeding two rupees per acre.

G Class

Lands classified as dry but not having any irrigation facilities from a Government source and assessed to land revenue of fifty paise per acre or more but not exceeding one rupee per acre.

H Class

Lands classified as dry but not having any irrigation facilities from a Government source and assessed to land revenue of less than fifty paise per acre.

Group-II.—Lands used for growing special crops.

S Class

(i) Lands used for growing grapes, other than Bangalore Blue.

(ii) Lands used for growing sugarcane or irrigated mulberry.

(iii) Lands used for growing arecanut or Bangalore Blue grapes.

(iv) Lands used for growing coconut.

(v) Lands used for growing banana.

(vi) Lands used for growing mulberry without irrigation.

B. Formula for determining equivalent extent of lands of different classes.

Group-I

1 acre of A class land=1.5 acres of B class land=2.4 acres of C class land=3.2 acres of D class land=4 acres of E class land=6 acres of F class land=12 acres of G class land=24 acres of H class land.

Group-II

1 acre of S(i) class land=2.77 acres of S(ii) class land=4 acres of S(iii) class land=5 acres of S (iv) class land=6.66 acres of S(v) class land=10 acres of S(iv) class land=100 acres of H class land.

Statement of Objects and Reasons

In order to augment the revenues of the State it is considered necessary to extend the cope of the agricultural income tax to incomes derived from all agricultural activities. At present agricultural income tax is confined only to incomes derived from the cultivation of specified commercial crops.

The Bill provides for enhancement of the exemption limit from Rs. 3,500 to Rs. 5,000 per year. Agricultural incomes, less than Rs. 5,000 per year will be exempt from tax.

Plantation crops will continue to be assessed on the basis of accounts as at present . Income from other crops may be compounded and for that purpose lands on which non-plantation crops are grown will be classified as indicated in Part II of the Schedule. In respect of wet lands the classification is based on the sources of irrigation. In respect of dry land the classification is based on the land revenue assessment. Lands on which special crops are grown will be classified as indicated in Part II of the Schedule. Thus irrespective of the nature of the crop

grown, the level of tax for the purpose of composition will be related to the land revenue in the case of dry lands and to the nature of source of irrigation in the case of irrigated lands . Exception will be made only in the case of certain selected crops, which are either perennial or of long duration and, therefore, susceptible to physical verification and which also yield high incomes. This will not only be convenient to the cultivators as they will not have to maintain accounts, but will simplify the administration of the tax. The assessee, will, however, have the option to ask for assessment on the basis of acounts.

Since agricultural incomes below Rs. 5,000 per year will be exempt, holdings upto 100 acres of H class lands or equivalent extents of other classes of land, will be exempt from agricultural income tax.

Where plantation are as include lands used for growing non-plantation crops, the income from such crops, as disclosed by acounts of the assessee or as computed at standard rates will be added to the income from plantation crops to determine the liability for agricultural income tax.

The Bill provides for remission of composition payment, in case, of failure of crops due to drought or other natural causes. The relief is sought to be provided by issue of a notification in the official Gazette.

With a view to facilitate the replacement of over-aged low yielding coffee plants by new plants, the Bill provides for a replantation allowance of Rs. 12.50 per 50 kgs. of coffee, limited to 15 per cent of the taxable income. To ensure that the funds are properly utilised for replantation, a condition has been incorporated that if the allowance is not utilised for the purpose intended within a period of five years, the amount not utilised will be written back as income and included for assessment. This will give greater incentive and flexibility to the planter

to undertake better quality replanting on a more continuous basis.

The Bill provides for enhancing of the ceiling on the interest rate on secured loans to 12 per cent and on unsecured loans to 15 per cent. The rate of interest payable to Government by an assessee on tax instalments is also being raised to 12 per cent.

The Bill seeps to remove the distinction between 'Hindu Undivided Family' and 'individual' in matters pertaining to exemption limits.

The provisions relating to deduction of insurance premia have been brought in conformity with the provisions contained in the Income Tax Act 1961.

A provision has been made for the recovery of agricultural income tax from any person from whom money is due or may become due to the assessee or any person who holds or may subsequently hold money for or on account of the assessee. A similar provision exists in the Sales Tax Act.

Financial Memorandum

As at present, the Act will be administered through the Commercial Taxes Department. It may become necessary to sanction additional staff and the additional recurring expenditure on staff may not exceed 12 lakhs of rupees per annum. The non-recurring expenditure will be 1.5 lakhs of rupees. The staff will be sanctioned with reference to the work load. It is estimated that the additional yield as a result of extension of agricultural income to all crops will be 3.5 crores per annum.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 11.—Sub-section 2A of section 18 proposed to be inserted by clause 11 empowers the State Government to prescribe by rules the manner in which a person shall pay in advance the full amount of tax payable by him on the basis of returns filed by him.

Clause 18.—Clause (a) of sub-section (1) of section 67 proposed to be inserted by clause 18 empowers the State Government to prescribe by rules the form in which the Agricultural Income-tax Officer may **suo motu** issue a notice to any person who in the opinion of such officer has cultivated during the previous year, land exceeding 100 acres of H class land, calling upon him to pay the lumpsum amount payable under section 67.

The proposed delegation of legislative power is of normal character.

M. Y. GHORPADE

Te. HANUMANTHAPPA
Secretary.

ANNEXURE

THE MYSORE AGRICULTURAL INCOME-TAX ACT, 1957

As amended by Acts 25 and 31 of 1962, (29 of 1963 and 28 of 1964)]

(Received the assent of the Governor on the Sixth day of September 1957)

An Act to consolidate and amend the laws providing for the levy of a Tax on Agricultural Income from lands on which Commercial Crops are raised in the State of Mysore.

Whereas it is expedient to consolidate and amend the laws providing for the levy of a tax on agricultural income from lands used for growing commercial crops in the State of Mysore ;

Be it enacted by the Mysore State Legislature in the Eighth Year of the Republic of India as follows :—

2. **Definitions.**—(1) In this Act, unless the context otherwise requires,—

(a) "agricultural incomes" means—

(1) any rent or revenue derived from land which is used for growing all or any of the commercial crops and is either assessed to land revenue in the State or subject to a local rate assessed and collected by officers of the State Government as such ;

(dd) "Assistant Commissioner" means a person appointed to be an Assistant Commissioner of Agricultural Income-tax under section 17 ;

(e) "commercial crop" means any plantation crop, areca, castor, chillies, coconut, coriander, cotton, ganja, garlic, ginger, grapes, groundnut, karad, margo. mulberry, mustard, nigar. onion, plantain (irrigated), potato, sesamum (til), sugarcane, timber tobacco or turmeric ;

Explanation.—(1) Commercial crop shall not include plantain, when grown on land on which areca or coconut is grown as a main crop.

Explanation.—(2) Timber shall not include trees proved to be of spontaneous growth not involving any human labour or skill in their planting or growth.

* * *

(r) "prescribed" means prescribed by rules made under this Act ;

* * *

(vv) "super-tax" means a tax payable under section 43-A.

(w) "total agricultural income" means the agreegate of all agricultural income derived by a person from land situated in the State of Mysore whether received by him within or without the State computed in accordance with the provisions of section 5 and includes all income of the description specified in section 11 and all receipts of the description specified in clauses (a), (c) and (d) of section 12 and any sum which is exempt from tax under clause (e) or clause (g) of section 12 of under section 13.

* * *

5. Computation of agricultural income.—The agricultural income of a person shall be computed after making the following deductions, namely :—

* * *

(i) any interest paid in the previous year on any debt, whether secure or not, incurred for the purpose of acquiring the land from which the agricultural income is derived :

Provided that the interest allowable under clauses (g), (h) and (i) shall not exceed, in the case of a secured loan, seven and half per cent per annum simple interest, and in the case of an unsecured loan twelve per cent annum simple interest ;

(n) in the case of agricultural income referred to in sub-clause (2) of clause (a) of section 2—

(i) the expenses other than capital expenditure incurred in the previous year of raising the crop from which agricultural income is derived and of transporting such crop to market, including the main-

tenance of agricultural implements and cattle required for such cultivation and transport or both ;

(ii) the cost incurred in the previous year in the purchase or replacement of cattle or implements, which are necessary for cultication, to such extent as may be prescribed, less the amount realised by sale of the cattle or implements replaced or their estimated value;

(iii) any sum paid in the previous year in order to effect an insurance against loss or damage of crops or property from which the agricultural income is derived :

Provided that any amount received in respect of such insurance in any year shall be deemed to be agricultural income for the purposes of this Act, and shall be liable to agricultural income-tax after deducting the portion thereof if any, which has been assessed to income-tax under the Indian Income-tax Act, 1922 (Central Act XI of 1922) ;

(iv) any expenses incurred in the previous year on the maintenance of any capital asset if such maintenance is required for the purpose of deriving the agricultural income ;

Provided that no deduction shall be made under this section if it has already been made in the assessment under the Indian Income-tax Act, 1922 (Central Act XI of 1922).

* * *

Explanation.—(2) Nothing contained in this section shall be deemed to entitle a person deriving agricultural income to the deduction of any expenditure laid out or expended for the cultivation, upkeep or maintenance of immature plants (other than tea plants) from which no agricultural income has been derived during the previous year.

Provided that if an any year any expenditure is incurred exclusively on new cultivation of land for growing areca, cardmom, coconut, coffee, orange or rubber plants and also on maintenance of immature plants of areca, cardamom, coconut, coffee, orange or rubber, ten per cent of such expenditure may be deducted from the agricultural income of such person :

Provided further that if an any year any expenditure is incurred for replanting of cardamom, coffee, orange or rubber plants

in any plantation or of areca plants in any areca garden, such expenditure not exceeding the amount necessary for replanting—

two and a half per cent of the acreage of plantation held by the person concerned in the case of coffee or rubber plants,

one and two-thirds per cent of the acreage of garden or plantation held by the person concerned in the case of areca or orange plants; and

eight and one-third per cent of the acreage of plantation held by the person concerned in the case of cardamom plants;

may be deducted from the agricultural income of such person:

Provided further that if the replanting expenditure allowance under the preceding proviso is not incurred in one year, the allowance for the year or years may be carried forward for a period of three years in the case of areca, coffee, orange and rubber and one year in the case of cardamom, beyond the year of assessment.

* * *

8. Assessment of agricultural income inregard to tea.—In the case of cultivation and manufacture of tea, the agricultural income for the purposes of this Act shall be deemed to be that portion of the income from cultivation, manufacture and sale computed under the Indian Income-tax Act, 1922 (Central Act XI of 1922) which is excluded from taxation under that Act as being agricultural income, after deducting from the said portion any allowance authorised by this Act in so far as the same has not been allowed in the computation of the income for the purposes of the Indian Income-tax Act, 1922 (Central Act XI of 1922).

* * *

12. Exemption from assessment of income-tax.—Agricultural income-tax shall not be payable on that part of the total agricultural income of a person which is—

* * *

(e) any sum paid by such person—

(i) to effect an insurance on the life of such person or on the life of a wife or husband of such person or in respect of a

contract for a deferred annuity on the life of such person or on the life of a wife or husband of such person ;

(ii) where the assessee is a member of a Hindu undivided family, Marumakkattayam, tarwad or aliyasanthana family, to effect an insurance on the life of any member of such family :

Provided that the aggregate of any sums exempted under this clause shall not exceed one-sixth of the total agricultural income of the assessee :

Provided further that nothing contained in this clause shall be deemed to entitle a person who is assessed to incometax under the Indian Income-Tax Act, 1922 (Central Act XI of 1922), to claim any deduction in respect of any sum referred to in this clause if it was exempted under section 15 of the said Act ;

* * * * *

13. Exemption of portion of earned agricultural income.—

Provided that the portion of earned agricultural income exempt from tax under this section shall not exceed—

(a) in the case of a Hindu undivided family, four thousand rupees and,

(b) in any other case, two thousand rupees.

* * * * *

17. Income-tax Authorities.—(1) There shall be the following classes of income-tax authorities for the purposes of this Act, namely :—

(a) Commissioner of Agricultural Income-tax ;

(b) Deputy Commissioner of Agricultural Income-tax ;

(bb) Assistant Commissioner of Agricultural Income-tax ;

(c) Agricultural Income-tax Officers ;

(2) The authorities specified in sub-section (1) shall be appointed by the State Government and shall exercise such powers and perform such functions and duties under this Act in respect of such classes of persons or classes of income and in such areas, as the State Government may, by notification in the official Gazette, direct.

18. Return of income.—(1) Every person whose total agricultural income during the previous year exceeded the maximum amount which is not chargeable to agricultural income-tax shall furnish to the Agricultural Income-tax Officer so as to reach him before the 1st June every year a return in the prescribed form and verified in the prescribed manner setting forth his total agricultural income during the previous year.

(2) In the case of any person whose total agricultural income is, in the opinion of the Agricultural Income-tax Officer, of such amount as to render such person liable to payment of agricultural income-tax for any financial year, he may before the end of the relevant financial year, serve a notice in the prescribed form requiring such person to furnish within such period not being less than thirty days as may be specified in the notice, a return in the prescribed form and verified in the prescribed manner setting forth (along with such other particulars as may be provided for in the notice) his total agricultural income during the previous year.

(3) If any person has not furnished a return within the time allowed by or under sub-section (1) of sub-section (2), or, having furnished a return under any of those sub-sections discovers any ommission or wrong statement therein, he may furnish a return or a revised return, as the case may be, at any time before the assessment is made.

(4) The Agricultural Income-tax Officer may serve on any person who has made a return under sub-section (1) or upon whom a notice has been served under sub-section (2) a notice requiring him, on a date to be therein specified to be produced, or cause to be produced, such accounts or documents as such officer may require:

Provided that such officer shall not require the production of any accounts relating to a period more than three years prior to the previous year.

* * * * *

35. Revision by Commissioner of orders prejudicial to revenue.—(1)

* * * * *

(2) No order shall be made under sub-section (1)—

(a) to revise an order of re-assessment made under section 35; or

(b) after the expiry of four years from the date of the order sought to be revised.

Explanation.—In computing the period of limitation for the purpose of sub-section (2), any period during which any proceeding under this section is stayed by an order or injunction of any Court shall be excluded.

(3) Any order passed by the Commissioner under this section shall, subject to revision by the High Court under section 55, be final.

CHAPTER V

Recovery of Tax and Penalties

41. Tax when payable.—(1) Any amount specified as payable in a notice of demand under section 31 or an order under section 32, section 34 or section 35, shall be paid within the time, at the place and to the person mentioned in a notice or order or if a time is not so mentioned, then on or before the first day of the second month following the date of the service of the notice or order and any assessee failing so to pay shall be deemed to be in default:

Provided that, when an assessee has presented an appeal under section 32, the Agricultural Income-Tax Officer may, in his discretion treat the assessee as not being in default as long as such appeal is undisposed of and if in any such case the Agricultural Income-Tax Officer considers that the assessee should be held to be in default, he shall refer the matter to the authority to whom the appeal was presented for orders and shall treat the assessee as not being in default until the said authority passes orders to the contrary.

(2) If an assessee makes an application within the time mentioned in the notice of demand in section 31, for being allowed to pay the tax due, the Agricultural Income-Tax Officer may in his discretion by order in writing, allow the assessee to pay the tax due in instalments not exceeding four in number at such intervals as the said officer may fix in his discretion or extend the time for the payment of the entire tax due for such reasonable period as he may fix if the assessee undertakes in writing to pay interest at 6½ per cent or as may be prescribed:

Provided that if as a result of an application made by the assessee the Agricultural Income-Tax Officer allows the assessee to pay the tax due in instalments, the assessee shall be deemed to have waived all his rights of appeal under this Act;

Provided further that if, on being allowed to pay the tax by instalments, the assessee defaults in the payment of any one instalment, he shall be deemed to be a defaulter in respect of the total remaining amount of tax due.

* * * * *

53. Disclosure of information by public servant.—(1) All particulars contained in any statement made, return furnished, or account or documents produced under the provisions of this Act or in any evidence given or affidavit or deposition made in the course of any proceedings under this Act other than proceedings under this Chapter, or in any record of an assessment proceedings or any proceeding relating to the recovery of a demand prepared for the purposes of this Act, shall be treated as confidential and notwithstanding anything contained in any law, no court shall, save as provided in this Act, be entitled to require any public servant to produce before it any such return, accounts, documents or record or any part of such record or to give evidence before it in respect thereof.

(2) If a public servant discloses any particulars contained in any such statement, return, accounts, documents, evidence, affidavit, deposition or record, he shall be punishable with imprisonment which may extend to six months and shall also be liable to fine.

(3) Nothing contained in this section shall apply to the disclosure—

(a) of any such particulars for the purposes of prosecution under the Indian Penal Code (Central Act XLV of 1860) in respect of any such statement, return, accounts, documents, evidence, affidavit or depositions or for the purposes of a prosecution under this Act, or

(b) of any such particulars to any person acting in the execution of this Act where it is necessary to disclose the same to him for the purposes of this Act; or

(c) of any such particulars occasioned by the lawful employment under this Act of any process for the service of any notice or the recovery of any demand; or

(d) of any such particulars to a Civil Court in any suit to which the State Government is a party which relates to any matter arising out of any proceeding under this Act, or

(e) of any such particulars to any officer appointed to audit agricultural income-tax receipts or refunds; or

(f) of any such particulars relevant to any inquiry into the conduct of an official of the Agricultural Income Tax Department, to any Officer or authority appointed or authorised to hold such inquiry; or

(g) of any such particulars relevant to any inquiry into a charge of misconduct in connection with proceedings under this Act against a legal practitioner or registered accountant; or

(h) of any such particulars occasioned by the lawful exercise by a public servant of his powers under any law relating to stamps, to impound an insufficiently stamped document; or

(i) of such facts to an officer of the Central Government as may be necessary for the purpose of enabling that Government to levy or realise any tax or duty imposed by it; or

(j) of such facts to any authority exercising powers under any Act of the State Legislature imposing any tax or duty as may be necessary for enabling it duty to exercise such powers; or

(k) of such particulars, to the appropriate authority as may be necessary to establish whether a person has or has not been assessed to agricultural income-tax in any particular year or years where under the provisions of any law for the time being in force such fact is required to be established; or

(l) of particulars in any rent-roll or other document produced by any a assessee as the basis of his agricultural income or any part of such income; or

(m) of such facts as may be necessary to enable an intending purchaser or other transferee of property to ascertain the nature and extent of the liablity of any such property for agricultural income-tax; provided that no such disclosure shall be made except with the consent of the assessee.

(n) of so much of such particualrs, to an Agricultural Income-Tax authority, as may be necessary to make assessment to the best of his judgment, of agricultural income-tax payable by an assessee;

(o) of any such particulars relevant to any inquiry into a charge of misconduct in connection with agricultural income-tax proceedings against a legal practitioner or accountant, to the authority empowered to take disciplinary action against the members of the profession to which he belongs;

(p) of such information as may be required by any officer or department of the State Government for the purpose of investigation into the conduct and affairs of any public servant for purposes of an inquiry under clause (f) or for prosecution before a court of law;

(q) of such information as may be required to a court of law in connection with any prosecution of a public servant arising out of any investigation referred to in clause (q).

(4) Nothing in this section shall apply to the production by a public servant before a court of any document, declaration or affidavit filed or the record of any statement of deposition made, in proceedings under section 30 or to the giving of evidence by a public servant in respect thereof.

(4-A.) Nothing in this section shall be construed as prohibiting the voluntary disclosure of any particulars referred to in sub-section (1) by the person by whom the statement was made, the return furnished, the accounts or documents produced, the evidence given or the affidavit or deposition made, as the case may be.

(5) No prosecution shall be instituted under this section—

(a) against a person who is not removable from his office save by or with the sanction of the Government or some higher authority, except with the previous sanction of the Government, or

(b) against any other person, except with the previous sanction of the authority competent to remove him from his office.

CHAPTER VII—A

Super-Tax

53-A. Charge of super-tax.—In addition to the agricultural income-tax charged for any year, there shall be charged, levied and

paid for that year in respect of the total agricultural income of the previous year of any person an additional tax, referred to as super-tax, at the rate or rates laid down in Part I-A of the Schedule:

Provided that when the profits and gains of an unregistered firm or other association of persons not being a company have been assessed to super-tax, such tax shall not again be payable by a partner of the firm or a member of the association, as the case may be, in respect of the amount of such profits and gains which is proportionate to his share.

53-B. **Total agricultural income for purpose of super-tax.**—The total agricultural income of any person for the purposes of the levy of super-tax shall be the total agricultural income determined and assessed to agricultural income-tax under section 3, and where an assessment shall also be final and conclusive for the purposes of the agricultural income tax for any year the assessment shall also be final and conclusive for the purposes of super-tax for the same year.

53-C. **Application of Act to super-tax.**—All the provisions of this Act relating to the charge, assessment, collection, and recovery of agricultural income-tax, except those contained in sub-section (1) of section 3, shall apply so far may be, to the charge, assessment, collection and recovery of super-tax.

* * * *

57. **Appearance by authorised representative.**—(1)

* * * *

(2) No person who has been dismissed from Government service shall be qualified to represent an assessee under sub-section (1); and if any lawyer or accountant or an Income-Tax practitioner is found guilty of misconduct in connection with any proceedings under the Indian Income-Tax Act, 1922 (Central Act XI of 1922), or this Act by the authority empowered to take disciplinary action against members of the profession to which he belongs, or if any other person is found guilty of such misconduct by the Commissioner, the Commissioner may direct that he shall be thenceforward disqualified to represent an assessee under sub-section (1) a

* * * *

(iii) "Income-tax practitioner" means an Income-tax practitioner as defined in the Indian Income-Tax Act, 1922' (Central Act XI of 1922)

* * * *

66. **Classification of land for composition of agricultural income-tax** etc.—(1) Lands used for growing commercial crops other than plantation crops, ganja or timber shall be classified into eight classes as specified in Part II of the Schedule for determining :

(i) the extent of land entitled to exemption from payment of agricultural income-tax under clause (ii) of the first proviso to Part I of the Schedule ; and

(ii) the extent of the land and the rates for lumpsum payment to be made for purposes of composititon of the agricultural income-tax under section 67.

(2) For purposes of sub-section (1), the total extent of land of any person shall be determined in terms of the eighth class of land in accordance with the formula in Part II of the Schedule for determining the equivalent extents of land of different classes.

(3) Where more than one crop or the same crop, is grown successively on any land during any year, the total extent of land shall : for purposes of sub-section (1) and (2) be the aggregate extents of the lands on which each crop is grown during that year.

67. **Composition of agricultural income-tax.**—(1) Any person who derives agricultural income from land not exceeding one hundred and fifty acres in extent of the eighth class of land or an extent equivalent thereto consisting of any one or more of the classes of land specified in Part II of the Schedule, may apply to the prescribed officer for permission to compound the agricultural income-tax and super-tax payable by him and to pay in lieu thereof a lumpsum at the rate specified in sub-section (2).

(2) The rate of lumpsum payable under sub-section (1) shall be two rupees per acre of the eighth class of land.

(3) Every application under sub-section (1) shall be submitted in such form, in such manner and within such time as may be prescribed

(4) The prescribed officer shall, after satisfying himself that the particulars specified in the application are correct, by order in writing grant the permission.

(5) Notwithstanding anything contained in sub-section (1) of section 66,—

(a) in respect of perennial crops, the extent of land containing only plants or trees which have not reached the age of yielding crops shall, for purposes of composition of agricultural income-tax, be excluded of land of any person; and

(b) if the Government is satisfied that there has been any loss or damage to crops due to frought, pests or other natural causes, the Government may, by notification in the official Gazette reduce the rates of lumpsum payable for compounding the agricultural income-tax in such areas for such crops and during such years as may be specified in the notification.

(6) The permission granted under sub-section (4) shall be in force for the year for which it is granted; and in respect of that period the provisions of this Act regarding the submission of returns, accounts, or other documents, the assessment to agricultural income-tax or any other matter incidental thereto shall not apply in relation to the grantee.

SCHEDULE

PART I

(*See* SECTION 3)

Rates of Agricultural Income-tax

1.	On the first Rs. 1,500 of total agricultural income.	Nil
2.	On the next Rs. 3,500 of total agricultural income.	Three naye paise in the rupee
3.	On the next Rs. 5,000 of total agricultural income.	Six naye paise in the rupee
4.	On the next Rs. 5,000 of total agricultural income.	Nine naye paise in the rupee
5.	On the next Rs. 5,000 of total agricultural income.	Twelve naye paise in the rupee
6.	On the next Rs. 5,000 of total agricultural income.	Fifteen naye paise in the rupee
7.	On the next Rs. 10,000 of total agricultural income.	Eighteen naye paise in the rupee
8.	On the next Rs. 15,000 of total agricultural income.	Twenty-one naye paise in the rupee.
9.	On the next Rs. 50,000 of total agricultural income.	Twenty-five naye paise in the rupee.
10	On the balance of toal agricultural income.	Forty naye paise in the rupee

Provided that no agricultural income-tax shall be payable—

(i) on a total agricultural income which does not exceed three thousand five hundred rupees; or

(ii) by a person who derives agricultural income from land not more than fifty acres of the eighth class of land or an extent equivalent thereto consisting of any one or more of the classes of land specified in Part II.

The limit referred to in the above proviso shall be seven thousand rupees in the case of every Hindu undivided family or an Aliyasanthana family or Branch of Marumakkatayam farward or tavazhi including a Nambudiri family or any other class governed by the law applicable to Nambudiris which satisfies as at the end of the previous year the condition that it consists of atleast five members :

Provided further that the agricultural income-tax payable shall in no case exceed one-half of the amount by which the total agricultural income exceeds three thousand five hundred rupees or seven thousand rupees, as the case may be.

PART I-A

(*See* SECTION 53-A)

Rates of Super-Tax

1.	On the first Rs. 25,000 of the total agricultural income.	Nil
2.	On the next Rs. 25, 000 of the total agricultural income.	Nine naye paise in the rupee
3.	On the next Rs. 25,000 of the total agricultural income.	Twelve naye paise in the rupee
4.	On the next Rs. 25,000 of the total agricultural income.	Fifteen naye paise in the rupee
5.	On the balance of total agricultural income.	Twenty naye paise in the rupee

PART II

(*See* SECTIONS 66 AND 67)

A. Classification of Lands

FIRST CLASS

Land used for growing grapes.

SECOND CLASS

Land used for growing areca.

THIRD CLASS

Land used for growing chillies (irrigated), ginger, mulberry (irrigated), Plantar (irrigated), potato (irrigated), sugarcane, tobacco (Nippani and Virginia) or turmeric.

FOURTH CLASS

Land used for growing chillies (non-irrigated), coconut, cotton (irrigated), garlic, onion or potato (non-irrigated).

FIFTH CLASS

Land used for growing tobacco(other than M Nippani and Virginia tobacco).

SIXTH CLASS

Land used for growing mulberry (non-irrigated).

SEVENTH CLASS

Land used for growing mango.

EIGTH CLASS

Land used for growing castor, corriander, cotton (non-irrigated), ground-nut karad, mustard, nigar or sesamum (til).

B. Formula for determining equivalent extent of Land of different classes :

Fifty acres of Eighth class of land=25 acres of Seventh Class of land=18 acres of Sixth Class of land=15 acres of Fifth Class of land=12 acres of Fourth Class of land=6 acres of Third Class of land=5 acres of Second Class of land=3 acres of First Class of land.

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